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8 February 2012

**Inquiry into Housing Affordability
New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143**

COMMENTS ON THE INQUIRY INTO HOUSING AFFORDABILITY

Introduction

The principal purpose of this submission is to express support for the Housing Affordability Inquiry Draft Report.

The Draft Report is an impressive document. It has been thoroughly researched and its findings have been based on statistical data, as well as on 55 Submissions and 77 Engagement Meetings which represent a broad spectrum of views. It seems to me to be balanced and free of bias. The Opinion piece in NZ Herald of 19 December 2011 by Murray Sherwin, the Chair of New Zealand Productivity Commission, set the scene clearly and understandably.

It seems to me that all the factors influencing affordability have been described, addressed and responsibly evaluated in the Draft Report.

Comments

In this submission, I have commented briefly on a limited number of matters included in the Draft Report and I have added, in an Appendix, relevant items from my submission on the Auckland Council 30 Year Plan and a copy of my letter to the then Member for Local Government which expressed my concerns about the role played by staff in Territorial Authorities.

My views are influenced by having lived in Auckland for more than 50 years.

As an architect, my field is principally health planning; I have no expertise in the field of housing.

COMMENTS

Terms of Reference

The first term is

“Stability of the home environment is widely considered to be important for social cohesion and family stability”

The Draft Report makes no comment on which types of housing and home ownership are most likely to promote “cohesion and family stability”. Multistorey blocks, as evidenced by examples in London and Paris, have promoted crime rather than cohesion, but there are factors such as accommodating unemployed immigrants, that do not exist in New Zealand.

Viewing Auckland from the summits of Mt Eden and Mt Albert, one sees the maligned quarter-acre section development which did provide “cohesion” and “stability” in 20th century terms.

The addition in the Report of comments on this matter would be valuable.

Renters (Overview)

The Draft Report notes the special role of State Housing (its traditional nomenclature) in providing rental accommodation. If State Housing is included in any data related to renters, the statistics will be skewed.

Taxation (6)

In the wide-ranging view of taxation, the idea “betterment” should not be overlooked. Betterment was proposed by town planners in the UK in the 1940’s. As a simple example, it proposed that when land zoning is changed to suit community needs e.g. from rural to residential, without any contribution from the landowner, some financial contribution should be made by the landowner from the profit which resulted from the change in zoning. I am not aware of betterment ever having been adopted by a territorial authority.

Urban Planning and housing affordability (7)

The Findings and Recommendations in Section 7 effectively summarize the current position and offer appropriate solutions. A related matter is that associated with the zoning of land for greenfield housing, there should be land zoned for industrial use to reduce travel time/distance for workers.

Building regulations and affordability (9)

The first key point in this chapter states

“..... by imposing standards that exceed what home owners would otherwise choose.”

This is also referred to obliquely in F10.1.

Houses are a national investment and asset . Residents come and go but houses should be designed for occupation over a long period and thus decrease house prices by increasing the housing stock. It would be interesting to know how many houses in Auckland have been occupied for more than 50 years and of these, how many have been upgraded (usually bathrooms and kitchens) because the base structure made upgrading economical and a preferred alternative to demolition.

Durability should not be compromised by adopting lower constructional standards.

The Performance of the Building Industry (10)

This subject is discussed in Section 10 and also in the Overview. “The residential building industry is fragmented with low productivity growth” provides a succinct summary of the building industry. Work on site is inefficient and quality control is poor, matters which can be improved if work is prefabricated under factory conditions. A study carried out some years ago showed that electrical power used by building workers in New Zealand was significantly below comparable usage in Australia and USA, with a corresponding reduction in output. Prefabrication is particularly suited to group home building but, as stated in F10.3

“A lack of available land can present a barrier to productivity through inhibiting the development of group home building and scale development”.

The possibility of increasing affordability by using prefabrication was demonstrated by the development in the USA of the Core House. The fixed items were the kitchen/bathroom unit; the external walling used prefabricated units; internal partitions, using prefabricated units, could be added as or when needed, thus minimising cost.

Prefabrication is an aspect of the building industry which can contribute to increased affordability.


WARWICK SMITH

APPENDIX 1 of 2

28 October 2011

Auckland Council
The Auckland Plan
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COPY

Herewith is my submission on the Auckland Plan. Under FOREWORD I have made some general comments on the Plan, followed by detailed comments on some of the Chapters in the Plan.

FOREWORD

- ~~1. I fully support the Government's comments on the Plan. The NZ Herald's succinct summary published on 22 October is attached. Specific comments which I support are criticism of the compact city model and the Plan's emphasis on public transport. The Plan's proposal to tax road vehicles to pay for public transport has drawn Government criticism, criticism which I endorse.

Auckland Council needs to give careful consideration to the Government's views.~~
2. Comments in this submission do not cover the Unitary Plan nor the Long Term Plan, both of which are subsidiary to the Auckland Plan.
3. The Plan proposes that the Council becomes significantly involved in Health, Education And Welfare. These are matters for the Government to decide; it is the Council's responsibility to support Government initiatives where applicable. Money provided to Council by ratepayers should not be spent on matters which are Government's responsibilities.
4. The Plan has accepted the prediction that the rise in sea level will be 0.8m in the next 100 years (Ministry for the Environment 2008). This is out-of-date. Latest predictions suggest a rise of up to 2.2m by 2100 (Listener, 14 May 2011). A significant rise is unlikely to occur in the period of the Plan, but the Plan should take the future rise into consideration. It will potentially have a significant effect on proposals for the CBD's Waterfront.
5. I could find no reference to the possible effect of tsunamis. The Council needs to obtain quality advice on the likely frequency and height of tsunamis and include a response in the Plan, if so indicated.

6. ~~Rising sea level is already affecting some Pacific Islands - Tuvalu, Kiribati and the Tokelau are threatened. It is for the Government to decide if New Zealand is to accept these "climate refugees", but there will be strong pressure for New Zealand to take responsibility, and this could happen within the Plan period. The logical area for these Pacific people is Auckland (see Figure 1.1). This should at least be acknowledged in the Plan.~~
7. ~~Many of the maps in the Plan are at very small scale, making them different or impossible to interpret and therefore to comment on.~~
8. ~~The Plan is full of platitudes which are difficult to comment upon but which add little to the Plan.~~

SECTIONS B, C & D

✓ SECTION B

Statements made in Section B are broadscale and generally covered more fully in later Chapters. Some detailed statements invite comment.

Para 100

"Many of Auckland's infrastructure networks are ageing or insufficient and need replacing or expanding to meet the needs of growing population".

"Auckland's infrastructure is currently overburdened and patchy in its delivery".

"The roads are seriously congested".

"The wastewater system is overloaded in places, causing overflows into the harbours and restricting development".

"The electricity supply has proved unreliable at times and requires further investment".

These matters are considered in my later comments. They make it clear that intensification of existing areas has significant infrastructure costs not associated with providing infrastructure in greenfield developments.

✓ SECTION C

By contrast para 119 states

"Our roading network is complete and serves Auckland well"

Para 120 states

"Our infrastructure and utilities are in step with our growth and are well networked, connected and built to last".

Para 123 states

"Aucklanders love to be out and about"

Most of these activities involve trips by car.

However, para 138 states

“The congestion on Auckland’s transport network has become increasingly intolerable”

✓ SECTION D

Para 157 sums up the aims of the Auckland Plan.

“This direction [the Development Strategy] includes committing to a quality compact city because of

- the existing investment in our inherited settlement patterns.
- the additional infrastructure costs associated with dispersal settlements.
- the economic benefits of clustering activities.
- the burden of travel time and costs and greenhouse gas emissions associated with dispersed development.

No evidence is produced to support these reasons for “Committing to a quality compact city”

It is evident that the Auckland Plan is based on confusion.

CHAPTER 5 Auckland’s Environment.

~~1. Volcanic Cones~~

~~In the past, it was not possible to achieve agreement amongst the seven territorial authorities in which the cones were located as to how they should be “restored”. Now that governance has been established (para. 395), it is important that action is taken (eg. trees? no trees?) to achieve consistent “restoration”, and pursue international recognition.~~

CHAPTER 6 Auckland’s Response to Climate Change

- ~~1. The response to climate change is a matter for the Government, which committed New Zealand to the Kyoto Protocol. The most significant step forward is the Emissions Trading Scheme, which remains controversial. Auckland Council, like the rest of the country will be required to conform to and endorse the Government’s actions.~~
- ~~2. Para 454 states~~

~~“Auckland must monitor the latest climate projections and take appropriate actions to ensure our economy, physical infrastructure and communities are resilient to a changing climate”.~~

~~Worthy words, but no suggestions as to how this can be achieved. Perhaps it is not possible.~~

~~This is reiterated in Directive 6.3~~

- ~~3. As noted in the FOREWORD, item 3, the Plan needs to respond to the effects of climate change, the most significant effect being a rise in sea level. Whilst a significant rise is unlikely in the next 30 years, it is essential that the long-term effects be acknowledged. The Plan includes Figure 6.2 which shows, at a very small scale, areas prone to coastal inundation which could occur in urban and suburban areas. The Plan should include a Figure which shows the sea edge with a 1m and 2m rise in sea level. This could well result in reconsideration being needed to the development of the CBD and the Quay Street Boulevard, estimated to cost \$40 million. If a 2m rise is accepted by 2100, a 1m rise could occur by 2050, which would be increased by storm surge and waves.~~
4. As noted in the FOREWORD, the likelihood and possible affects of tsunamis need to be considered.

✓ **CHAPTER 7 Rural Auckland**

✓ **CHAPTER 8 Urban Auckland**

These two Chapters must be considered together; they are not independent entities.

Soil Quality

Fig. 7.3 shows Soils of High Production Value but at such a small scale as to be indecipherable. Although not mentioned in the Plan it is already a requirement that soils of high production value be protected, but this has not been implemented in the past e.g. Mangere, Pukekohe. A complementary Figure 7.3a should be included in the Plan to show Soils of Low Production Value. These, in particular, and the podzoliised clay soils on which Kauri forests stood, of which there are significant areas North of the Waitemata Harbour. This is a valuable resource for accommodating future housing and industrial development without any loss of productive land.

Intensification The Surcingle Plan

Chapter 8 presents the case for limiting the area of suburbia (a word which accurately describes where most Aucklanders live but which is not mentioned in the Plan) and the area of industrial development. The surcingle is pulled tight to ensure that “The urban environment [is] as beautiful as the natural environment.” And “a quality compact city” is achieved. It will create “enduring town centre and neighbourhoods”.

The Auckland Regional Council (ARC) with its regional Growth Strategy (RGS), similarly introduced the principles of intensification. Unlike the Plan, ARC did not promote intensification with high-sounding phrases; its aim was specific and unequivocal – to increase the number of people using public transport. Much like the Plan, it proposed increasing densities at transport nodes and along transport corridors. The RGS is criticised in the Plan as creating uncertainty. The Plan proposes a rigid surcingle, defined as the Rural Urban Boundary (RUB). This will “provide certainty” for 30 years! What certainty! Good town planning is based on flexibility which can adjust to changing conditions.

The horrors of sprawl, a pejorative term for the expansion of suburbia, are explained! Something Aucklanders are said not to want.

- the economic benefits of clustering activities
- the burden of travel time and costs and greenhouse gas emissions associated with dispersed development.

No evidence is produced to support these reasons for “committing to a quality compact city”

It is evident that the Auckland Plan is based on confusion.

Paras.157 and 485 describe the costs of sprawl” including costs of transport, water and waste water infrastructure”. This assumes that the existing services in the areas to be intensified can deal with the load. Nothing could be further from the truth. Examples of the high cost of replacing services in built-up areas are many – three pertinent examples will suffice : replacing the Hobson Bay Sewer; the renewal of downtown stormwater reticulation; the Newmarket Lumsden Park Tunnel. Replacing infrastructure in built-up areas is far higher than providing comparable infrastructure in green field areas. However, costs of replacing infrastructure are screened from scrutiny by being included in the accounts of Watercare Services Limited. In the current year the Council proposes to spend \$65 million to correct problems in stormwater in suburban areas. New separated sewer and stormwater systems in Greenfield sites will avoid the overflow of contaminated stormwater which continues to blight older areas of Auckland’s suburbs.

Upgrading infrastructure+ for sewage is not relevant to the discussion; increased population contributes the same amount of soil and waste, whether in high-rise apartments or low-density suburbia.

The RUB Surcingle requires that 75% of housing needed to accommodate the increased population will occur in built- up areas of suburbia. This represents approximately 300,000 dwellings: (Table 8.1 – medium growth). If intensification is at, say, six times the current density, to accommodate 300,000 dwellings will necessitate the demolition of 50,000 existing dwellings. This, like renewing defective or inadequate infrastructure, is part of the costs associated with intensification. A significant factor in achieving the 75% goal is that intensification cannot be applied to all suburban land in Auckland City – historic suburbs, brand-new suburbs and buildings, commercial land cannot be intensified. This places a further restriction on intensification. No reliable studies have been carried out on social problems related to intensification in environments comparable with Auckland – studies of high density accommodation have been carried out in London and Paris – compared with New Zealand’s “quarter-acre sections”. An interesting study in “Applied Psychology, and Well-Being” found that children with ADHD who played in outdoor spaces had milder symptoms than children who had to play indoors or in built outdoor environments (quoted in Listener 8/10/11).

Chapter 8 suggests that intensification increases housing choice but the RUB, virtually removes one important option – the detached dwelling. By loosening the surcingle (the RUB), more land would be available which it is generally agreed results in lower cost of sections for housing (see comments under Chapter 9), and so lower cost housing. The Government’s unease with compulsory densification is soundly based. It is supported by Auckland’s submission to the Productivity Commission enquiry which accepts that at present medium density/intensified dwellings are not favoured by families and older people.

An urban technical advisory group appointed by Dr Nick Smith says Auckland’s metropolitan urban limit has been too restrictive and recommends a “Government policy statement for Auckland which the new Auckland Plan would have to comply with”.

✓ CHAPTER 9 – Auckland’s Housing

The Targets

The five Targets are worthy but are a mixed bag. Target 1 suggests that either wages and salaries are too low or housing costs are too high. Targets 2 and 3 suggest that wages and salaries are too low. Target 4 is a social welfare matter. Target 5 is a matter for the building industry to respond to .

Priorities

The four Priorities, like the Targets, are worthy, but none is within the power of Auckland Council to achieve.

Para. 565

This paragraph states

“it is essential to have land to build houses (sic). The Auckland Council has a key role in this regard by ensuring (sic) that sufficient land for residential development is available and appropriately zoned, thereby providing development capacity”.

With the RUB/Surcingle approach, the Auckland Council is deliberating restricting the amount of land available for housing and thus limiting choice.

Auckland Council can contribute to Priority 3 by carrying out its statutory roles of inspecting the construction of dwellings and only “signing off” work which meets specification requirements, something that was not done in construction which thus resulted in “leaky homes”.

Priority 4 “Improve housing affordability” implies a reduction in housing costs. The cost of the land is a significant factor in the total cost of a house. BRANZ has carried out studies to show the effect of the cost of the land on the total cost of a house. Land costs in the ACC area in the period 2002-2005, when the RGS restricted the supply of land for housing, rose 139%.

It is significant that the Productivity Commission enquiry noted research showing that limiting the city’s area drove up land prices within and just beyond the limits and had become “an increasingly binding constraint on land supply”.

There is general agreement that making more land available will increase competition and reduce prices, thus reducing the cost of houses. The RUB/Surcingle approach can be expected to limit land available and thus increase the costs of sections and houses.

An enquiry into housing affordability by the Productivity Council is looking into whether local policies aimed at encouraging more intensive housing are consistent with popular preferences for suburban sections with grass and gardens.

CHAPTER 10 – Auckland Physical and Social Infrastructure

As with other Chapters, the Targets are worthy.

- ✓ Target 1, to reduce water network losses is a matter of correcting defects in the current water supply infrastructure and will involve replacing the existing reticulation system in existing areas, with corresponding significant costs. In some areas, water supply pressure has been reduced to reduce loss, which can compromise fire-fighting ability.
- ✓ Target 2 aims to reduce the occurrence of the overflow of contaminated stormwater. This is due to the failure, under pressure, of existing sewer lines, which results in surcharges which overflow into stormwater lines. It is a result of existing infrastructure being unable to handle the stress of intensification.

~~Target 3 is a matter for the electricity supplier, not Auckland City.~~

~~Target 4 Broadband accessibility, is being addressed by the Government.~~

~~Target 5 is a matter for the Government's Health Department.~~

~~Target 6 is a matter for the Government's Education Department.~~

- ✓ Target 7, the provision of open space to meet Auckland's Growth needs is a matter for Auckland City. With the proposed intensification, existing housing will need to be demolished to provide for open space in the intensified areas for the additional population.
- ✓ Priority 1 - planning for water, stormwater and wastewater, continues to be the responsibility of all territorial authorities.

~~Priority 2 – energy and telecommunications, are not matters for territorial authorities.~~

- ✓ Priority 3 - Social and Community infrastructure for education, health, social housing and connections are to be met by the Government. Cultural facilities and open space provision will continue to be the responsibility of territorial authorities.

FIGURE 10.1– Shaping influence of infrastructure, is a mixture of Governmental and territorial authorities responsibilities.

These three Priorities for Auckland Council are a continuation of present responsibilities.

CHAPTER 11 – Auckland's Transport

Much of the content of this Chapter is not specific to Auckland but would apply to transport in any city of comparable size. The important specific items are discussed below.

City Rail Link (CRL)

There is logic in this proposal but its implementation needs to be based on a credible cost/benefit study. Some of the basic projections need justification, e.g. 34% increase in the population in the city centre; 55,000/70,000 more jobs in the city (this at a time when modern communication techniques reduce the need for companies to be located in the city centre). As the Government suggests, the CRL may result in commuters switching from bus to rail rather than from car to rail.

If a cost/benefit study endorses the value of the CRL to Auckland Council and its ratepayers, consideration should be given to the CRL being funded on a public/private/partnership basis. Requests could be made now for declaration of interest.

Providing for Road Transport

The Government has made it clear that it sees the need for greater emphasis to be placed on the road network than is provided in the Plan. This is a justifiable comment. The Plan aims to increase non-car trips from 23% to 37%. Even if this optimistic goal is achieved, there will still be 63% of trips by car. To this must be added all the trips by non-car vehicles, especially goods distribution vehicles.

It is logical that the Plan should place increased emphasis on road transport.

Additional Waitemata Harbour Vehicular Crossing

It is likely that some preliminary studies will occur within the next 30 years. The alternatives proposed for a vehicular crossing are a new bridge versus tunnels. The case for a bridge is patent.

Tunnels have two significant disadvantages – cost and safety. The extra cost of tunnels over a bridge has been estimated at \$1,400,000 or 36%. Tolls would be correspondingly higher for the tunnel solution; \$8 versus \$6 has been suggested.

The Tunnel solution presents two safety risks. A collision in the tunnel which results in the fuel in the vehicles' tanks catching fire presents a major hazard, as shown by the Mont Blanc Tunnel disaster. Seismic shocks could rupture the tunnel, blocking traffic and flooding the tunnel.

A bridge has not only a cost benefit but could be a landmark. If designed by one of the famous bridge designers, such as Calatrava, the bridge could be an icon to match Sydney's Opera House and Harbour Bridge.

Bus Terminal

At a lower level, unlike other cities of its size, Auckland lacks a downtown bus terminal.

The Effects of Densification

Densification of suburbia means that more households, and therefore more vehicles, will use the existing roads. The use of public transport will have only a small amelioration. Increased congestion will result from densification.

Funding Public Transport

Possible funding mechanisms is discussed in paras 741 – 756. Para 756, of just 14 words, proposes loading more costs on to road users. As the Government has stated, this is inequitable. Road users currently make a significant contribution to public transport eg. 11c /litre of the price of petrol goes to public transport, and ratepayer vehicle users each make a significant contribution in their rates.

Logic suggests that users of public transport should pay higher fares, as income from fares does not cover the costs of public transport. Further income could be obtained from parking charges at park-and-ride parking lots. However, it is generally agreed that increased fares would result in reduced use of public transport.

~~It is appropriate that the Government and Auckland Council meet to discuss and agree how public transport is funded.~~

The Effects of Densification

Densification of suburbia means that more households, and therefore more vehicles, will use the existing roads. The use of public transport will have only a small amelioration. Increased congestion which will result from densification.

~~CONCLUSION~~

Mayor Brown has stated that "the Government needed to listen with both ears". The Government should listen to the people of Auckland, not to the ~~Plan.~~



WARWICK SMITH

APPENDIX 2

1 November 2011

Hon Rodney Hide
Minister for Local Government
Parliament Buildings
Wellington

Dear Mr Hide

COPY

Draft Auckland Plan

The period for comment on the Auckland Plan closed on 31 October 2011 – Halloween seems appropriate. I have made a submission, supporting the Government's view of the Plan, as described in a news item in the NZ Herald of 22 October 2011, copy enclosed.

A matter of deep concern is that the submissions will be reviewed and evaluated by Council staff, who were responsible for the Plan's preparation. Indicative of bias is an article in NZ Herald of 13 October 2011 by Dr Roger Blakeley, Auckland Council's Chief Planning Officer, who refers to "we are committed to improving the quality of urban living".

"our target is to increase trips by public transport" and

"We must look for innovation funding solutions" ...

An unbiased review of submissions seems unlikely. What is needed is for the submissions to be reviewed by an independent group. However, there are no provisions for that to happen.

The Council has consulted residents and ratepayers to learn their view of the Plan. Consultation is a weasel word, in local government parlance. That means seeking the views of those likely to be affected, but with no obligation to act on the views expressed by the consultantees.

I assume that it is a case of

"What can't be cured must be endured".

Have you any views?

Yours sincerely



WARWICK SMITH

